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THE BIENNIAL BUDGET
A PROMISING REFORM OF THE CONGRESSIONAL BUDGET PROCESS

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At perhaps no other time in our history has the federal budget been such a source of contention within Congress, and between Congress and the President. Throughout much of this decade, or at least so it seems, battles over the budget, the many programs that comprise it and the deficit that remains have dominated the legislative agenda. Reasons for the debate are obvious. In one dimension, the deficit, which both the public and public officials have decided is the single most important measure of anything having to do with the federal budget, has risen to levels that were unimaginable seven years ago. Worse, this increase occurred over a period when all segments of government, both political parties and most ideologies were in agreement that the reduction of the deficit was among this nation's highest priorities.

Another reason for all the fuss is that the federal budget is the battleground where the struggle between differing views about the proper role and responsibility of government occur. With this administration committed to making far reaching changes in the scope of government, such battles are more intense than usual.

Confronted with this pressure, the federal budget process is collapsing under the strain. Lots of time and energy are spent on the process but there is precious little to show for it when the year is over. Deadlines are seldom met. Major decisions are made at the last moment, and then rushed through Congress with little time available for careful review. In the end, virtually all major spending programs get lumped into one piece of legislation--called a continuing resolution. With a continuing resolution, Congress and the President are confronted with a single yes or no vote on the entire federal government. A no vote can shut the government down while a yes vote means support for the entire package. There is nothing in between and no room for compromise.

Many in Congress now recognize that a process that invariably pushes the hundreds of individual spending decisions to the end and then forces them into a single vote is intolerable and that something must be done to change it. Among the many proposals that purport to address the issue, the proposal to establish a biennial budget seems to be the most promising.

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At present, federal budgeting, as guided by the Congressional Budget and Impoundment Control Act of 1974, is an annual exercise with key decisions generally confined to, and applicable for, a single fiscal year. However, several of the component parts of the process, specifically authorizations and appropriations, vary in duration and may either be permanent, multi-year or annual. Some explanations are in order.

The authorization is the substantive legislation that establishes or continues a federal agency or program and also grants authority to enact appropriations. The authorization may also limit the amount of budget authority to be provided, or leave it to "such sums as may be necessary." Authorizations may be permanent (Social Security), multi-year (transportation and agriculture) or annual (State Department). About 15 percent of the budget is accounted for by annual authorizations, and the trend over time has been for Congress to convert permanent authorizations to annual ones in order to increase its control over programs.

Authorizations, however, provide no money for the programs they create, continue or modify. The actual funding of the programs is provided by the appropriations bills. Because the appropriations process establishes spending limits on programs that are authorized, it can be a powerful tool of oversight and control. Many programs, however, particularly the non-means tested entitlements like Social Security and Medicare, have permanent appropriations, while others require annual action by Congress. Of the $1,142 billion in new budget authority requested by the President for FY 1988, $779.9 billion will be available through permanent appropriations. As a result, a substantial portion of federal spending escapes the annual review of the appropriations committees.

The dilemma that confronts Congress is that while a preponderance of permanent appropriations diminish oversight, changing them all to annual appropriations in order to increase control and oversight could so overload Congress that effective oversight may decline even further.

Although authorizations and appropriations can be permanent, multi-year or annual, the budget process, which ties all of these together in a single plan, is binding for one year only, and the whole budget process must be repeated year after year. It is this combination of annual budget requirements--authorizations, appropriations and budget resolutions--plus the growing complexity of the budget itself and the political divisions over each of the items in it, that has allowed the budget process to consume a full year. The process begins in early January when the President submits his spending proposal for the next fiscal year, and then drags on until late fall or early winter before it is wrapped up. Sometimes the wrapping up is only temporary, and the government often begins the new fiscal year without a budget for the entire year!

This is a chaotic, frustrating and time consuming process that the average member of Congress finds almost impossible to monitor or influence. As deadlines press in on the process, compromises are put together at the last

moment, with few members understanding exactly what they are voting for or against. Under such circumstances, little of what happens with each of the spending bills would be considered as effective oversight. And seldom is there time to sit back and make a careful assessment of each of the programs and conduct the reforms and changes where needed. As a result, programs continue to operate in the same old way regardless of whether the program does what it is supposed to do or is cost effective.

In an effort to better relate the vast number of required budget decisions with the time needed to effectively consider them, several members of Congress have proposed the creation of a biennial budget, or a two-year budget cycle. Supporters of the proposal believe it offers an attractive compromise between effective oversight and the efficient use of limited time. Under most biennial budget proposals, the approach would be to increase and rationalize the time that could be allotted to budget decisions and reduce the number of decisions to a more manageable volume.

The basic biennial budget plan would put most or all authorizations and appropriations on a two-year schedule. While there are a number of ways that this could be done, at a minimum, all one-year authorizations and appropriations would be extended for two years, as would the budget resolutions and the accompanying reconciliation bills. Permanent authorizations and those that now extend for more than two years could remain as is or be shortened to two years to conform with the rest of the budget.

There are a variety of ways in which the Congressional budget process could be modified to conform to the two-year schedule. Under the plan (H.R. 22) proposed by Representatives Panetta (D-CA) and Regula (R-OH), the first year of the cycle would be limited to oversight and the development of authorization bills. The second year would be used to pass the authorization bills and the two-year budget resolution. Work would then begin on appropriations bills, which would be passed near the end of the second year and before the beginning of the two-year budget cycle. Alternatively, with the legislation (S. 416) proposed by Senators Roth (R-DE) and Domenici (R-NM), the first session of each Congress would be spent processing a two-year budget resolution, two-year appropriations bills and a reconciliation bill. The second session of each Congress would be devoted to processing multi-year authorization bills and conducting oversight activities. Senator Ford (D-KY) has proposed still another alternative (S. 286) in which the first session would be devoted to developing a first budget resolution and the authorization bills, while the second session would be used for the second budget resolution and the appropriations bills.

A recent analysis by the General Accounting Office (GAO) looked into the experience that several states have had with their biennial budget process. Currently, 21 states have biennial budgets, down from 44 in 1940. In studying the experience in several states, the GAO concluded that: (1) Biennial budgeting does not require the state government's full-time attention for budget review every year. More time is available for non-budget activities in both the legislative and executive branches; and (2) Biennial budgeting lends itself to a more planned and deliberate approach to developing the budget, including the

budget preparation process, analysis of policy issues and review of major budget proposals. It also provides time for longer range planning, if the state chooses to do so.

But some disadvantages were cited as well. They include: (1) The increased difficulty in estimating accurately revenues and expenditures in the second year and budgeting for "uncontrollable" items, such as changes in expenditures for entitlement programs; and (2) The legislature's perceived loss of control over the executive and state agencies, because there are fewer opportunities to make budget, program and policy changes.

Once the two-year budget is completed, it could be altered only through subsequent legislation, such as extended versions of the supplemental appropriations bills. Several of the biennial budget plans propose to make the subsequent supplemental process more difficult than it is at present by requiring, for example, a super majority vote (60 percent, for example, instead of 51 percent) to exceed the budget once it is passed. Under these plans, after a budget is passed by Congress, it can be breached only in response to an emergency.

While the rationalization of the budget process is the chief reason many in Congress support such a plan, other proponents believe that an added benefit would be lower federal spending. There are several reasons to believe that this might occur. First, much government spending is driven by aggressive special interests which attempt to get as much as possible, as often as possible, for the constituent groups that they represent. Often, they are unopposed by countervailing forces other than whatever can be mustered from responsible legislators and agency executives who are willing to stand up to the pressure. By moving to a biennial budget, these groups get just one shot at the budget every other year, instead of the existing opportunities for annual assaults on the taxpayers. By diminishing the pro-spending pressure, future budgets may be more fiscally responsible.

In addition to this, the biennial budget could further work to moderate government spending by taking advantage of peoples' natural propensity to put off tough decisions until the future. Any observer of federal budgeting can cite numerous examples of programs that most officials and congressmen agree could be cut back or eliminated, but are reluctant to do so immediately. As a result, such cuts or terminations are typically put off into the future or the next year where, under current budgeting procedures, decisions are not binding. When the next year becomes the current year and the formal decision to cut or not cut has to be made, politicians invariably change their minds and the planned cuts are avoided. With biennial budgeting, decisions about the future, however painful, would become binding and would be more difficult to reverse.

Examples of this sort of behavior abound. David Stockman's first budget for President Reagan included numerous, yet unspecified, future cuts to keep spending in line with lowered revenues. However, that decision was not binding, and a gap emerged that persists to this day. More recently, Congress agreed with the President in 1985 that revenue sharing should be terminated, but put off the actual decision until the next year. Although the program was finally

terminated, the delay of the decision gave the program's proponents another chance to keep it alive and necessitated a second, close vote on the issue. While this was a case in which spending restraint ultimately triumphed, most delayed decisions go the other way.

Congressional budget resolutions, which establish budget totals for the next three years with only the totals for the immediate year made binding, offer the best example of the dichotomy in spending restraint between present and future years. In 1982, when Congress passed a binding budget resolution for FY 1983 with nonbinding spending totals for FY 1984 and FY 1985, the resolution proposed a spending level of $821 billion for FY 1984. But a year later, when it was time to actually put together a binding resolution for FY 1984, Congress opted to spend $845 billion, an increase of $24 billion over initial plans. Had the initial resolution been binding for the second year, as it would have been in a system of biennial budgets, actual FY 1984 spending might have been considerably lower. The same process occurred the next year when nonbinding totals for FY 1985 were proposed as part of the FY 1984 budget. Total spending of $906 billion was proposed for FY 1985. But a year later, when it was time to make the real decisions about FY 1985, Congress ultimately passed a budget that called for spending of $946 billion, an increase of $40 billion over what was planned. An examination of all of the budget resolutions for this decade indicate the same trend: tough decisions for the future, but retreat in the present. The biennial budget would take advantage of this propensity and work to drive down spending below what otherwise might occur.

Obviously, there is no guarantee that the process would function like this in actual practice. Once decisions about the future become binding, there is always the possibility that margins of excess could be built into multi-year budgets. At the same time, special interests which favor higher spending could also learn to take a longer view and act accordingly. Nonetheless, the mere possibility of lower spending, combined with the needed improvements in the mechanics of the process, suggest that the biennial budget should receive serious consideration by the Congress and the President.